GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4376
ANSWERED ON:19.04.2002
TRANSACTION CHARGES
M.V.V.S MURTHI

Will the Minister of FINANCE be pleased to state:

(a) whether the National Security Depository Limited havea proposal to levy transaction charge on a flat fee structure for debit transaction and custody charges from account holders from April 1, 2002;

(b) if so, the reasons therefor;

(c) whether the Association of Small Investors have given any memorandum to the Government in this regard;

(d) if so, the demands made by the Association; and

(e) the reaction of the Government to each of these demands?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a): According to information received from National Securities DepositoryLimited (NSDL), NSDL decided on February 26, 2002, to revise the transaction fee to its Depository Participants (DP) fromad valorem (0.02% of the value of the transaction) to a flat basis (Rs. 15 per debit instruction), to be made effective from April 1, 2002. NSDL does not levy any feeson the account holders directly but charges its DPs. The DPs charge their account holders or clients.

NSDL intimated the revised fee structure to SEBIon the same day. SEBI advised NSDL on March 28, 2002to defer implementation of the revision in the fee structure and to take up the matter with the Board of NSDL for reconsideration, in view of representationsof investor associations. The proposal was reconsidered bythe Board of NSDL on April 10, 2002 and it was decided toreduce the transaction fee from Rs. 15 per debit instruction as proposed earlier to Rs. 10 per debit instruction i.e., a reduction of 33%. No transaction fee is levied by NSDL on its DPs for receiving credits ininvestor accounts. NSDL also revised custody fee fromad valorem to flat basis i.e., from 0.01% of the value of the securities held in an account to Re. 0.75 per ISIN per month (i.e., Rs. 9 per annum). The new fee structure will be effective from May 1, 2002.

(b): NSDL has also intimated that in an automated environment,the requirement of computing infrastructure and its use is not related to the value of transactions or holdings. The cost has a direct correlation to the number of transactions and the size of database. Thus, for an increased number of transactions or an increased size of database, NSDL would have to provide additional processing capacity and memory. As a commercial entity NSDL hasto endeavor to relate its fees to the costs it incurs. Accordingly, the Board of NSDL decided to revise its fee structure to a flat fee basis from ad valorem basis.

(c) to (e): SEBI has received representations that the revisionin transaction fees is not in the interest of small investors. Considering the representations of small investors, SEBI advised NSDL to put up the matterto its Board for reconsideration. NSDL has since revised the tariff structure downwards, as mentioned in part (a) above.